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PAKISTAN: The martial law administration, still attempting to pacify East Pakistan, faces growing demands for more power from civilian politicians in West Pakistan.

Z. A. Bhutto--whose Pakistan People's Party (PPP) won a majority of seats in West Pakistan's elections for both the national and provincial assemblies--has publicly stated that it is "imperative" that political power be transferred to elected officials, preferably prior to 1 July. The leftist ex - foreign minister may believe he has to speak out to forestall radicals who have been trying to take over the PPP organization in the Punjab, West Pakistan's most important province. He may also be trying to stay ahead of politicians from parties to his right who have asked President Yahya to give the country a constitution.

The military has allowed the censored Pakistani press to publish the politicians' statements. [redacted] 25X1 25X1 senior officers are divided on giving power to elected officials, with the "doves" arguing that this should be done at least in the provincial governments. Yahya has not made a final decision, but he [redacted] 25X1 25X1 will not turn over power until the situation in East Pakistan is settled.

Both sides may well move cautiously. The army does not want to risk violent agitation in the West wing which could follow overt action against the politicians or too long a postponement of civilian government. For their part, the politicians will be reluctant to provoke the army into making arrests or strictly enforcing the current nationwide ban on political activity.

Nevertheless, violence could break out easily. In late March, PPP radicals sponsored a general strike in Lyallpur during which several hundred people were injured. [redacted] 25X1

25X1 [redacted] students at two universities in the Sind--the second most populous of West Pakistan's four provinces--have been demonstrating in support of East Pakistan for about a week, likening exploitation of the East to exploitation of the Sind. [redacted] 25X1

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JORDAN-SYRIA-FEDAYEEN: The two countries are quietly cooperating in attempts to curb Palestine guerrilla operations along their borders.

Jordanian and Syrian military and civilian leaders have already met, and future sessions are being planned. [redacted] 25X1

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[redacted] 25X1

Amman believes that the Syrians are sincere in their efforts to control fedayeen activities. Nevertheless, the Jordanians--applying a lesson learned from the Israelis--are heavily bombarding any area in Syria from which firing originates, hoping that the local population will blame the fedayeen and support a crackdown.

Both countries are also taking steps to curtail commando operations against Israel. [redacted] 25X1

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FRANCE-ALGERIA: Both sides evidently are prepared for a showdown over the oil issue.

The talks between company representatives have not been resumed since France broke off state-to-state negotiations in mid-April, and moves on both sides have served to increase pressures. The French companies have stopped taking Algerian oil and have sought to organize an international boycott of Algerian petroleum. Prime Minister Boumediene has warned the Algerian public that the difficulties may be prolonged, and the government has reportedly ordered Algerian state firms not to place any new orders for French products except vital spare parts.

The French companies indicate they are ready to withdraw from Algeria altogether if they cannot reach an over-all agreement on future petroleum operations, including oil prices and compensation to the French oil companies for the controlling interest the government seized last February. The companies apparently have been able to conclude contracts with non-Algerian sources that will cover all of France's short-term oil needs, and the French probably can get along in the future on supplies from other sources. Under present circumstances, the remaining Algerian threat--to nationalize what is left of French company assets--does not worry the companies, because the assets are of no practical value without an agreement for export of profits. The Algerians may nonetheless consider it the only way to break the current impasse and open the way for agreement on compensation and further sales.

As long as the conflict is confined to the oil companies, Algeria's immediate concern is to find new markets for its oil. It is continuing to sell perhaps as much as a third of its normal production on the basis of previous contracts. The major international oil companies are unlikely to buy the remaining oil under present conditions. Other possible sales probably would not fill the gap. If

the present conflict continues, Algerian foreign exchange reserves will probably be adequate to finance Algerian spending at current levels only through the end of this year, and the ambitious Algerian industrial development plan will probably be set back. Nevertheless, Algeria may be able to obtain some foreign financial assistance and seems in any event determined to hold out for some time if necessary.

The French Government is seemingly attempting to maintain a careful distinction between state-to-state relations and negotiations between the French companies and the Algerian state company Sonatrach. While lending general support to its companies, Paris is seeking to avoid any action that would cool relations with Algeria below the level of business-like objectivity that has replaced the previous special relationship.

Meanwhile, the Algerian Government has sought support from its Arab neighbors and from OPEC. Algiers may also have inspired the Moroccan King to attempt to play the role of intermediary. Insofar as state-to-state relations are involved, France is likely to restrain its use of further economic leverage. 25X1

UGANDA: General Amin has amended the previous regime's nationalization directive that gave the government control over most foreign-owned companies operating in Uganda.

Under the new measures, many foreign companies will be left in private hands. In those cases where the government is proceeding with nationalization, the companies will be allowed to hold 51-percent ownership. Agreements that were already formalized, which gave the government majority ownership of 60 percent, are to remain in effect unless the companies ask for a review, in which case renegotiation to allow company ownership of 51 percent would be possible.

The government eventually will take over 49-percent ownership of commercial banks, insurance companies, and sugar and steel producers, while all other foreign business activities will stay private. The government will retain monopoly control over generation and distribution of power and electricity. The state-owned Export and Import Corporation, which previously had been given the authority to acquire the holdings of all trading firms and to carry on most of the trade by the government or by semigovernment institutions, may be merged with the National Trading Corporation, the former dominant quasigovernment organization in Ugandan commerce. 25X1

UN: The UN's fiscal problems of several years' standing are getting worse and may be a key issue at next fall's session of the General Assembly.

The organization has been in financial difficulty since the early 1960s, when the USSR and France--two of the largest contributors--refused to pay assessments for UN peacekeeping operations in the Congo (K). The sale of bonds, purchased largely by Western governments other than France, partially alleviated that problem, but in recent years the level of assessments has not been sufficient to meet accelerating budgetary commitments.

Some UN officials hope that voluntary contributions of $36 million from the USSR and its allies and $15 million from France can be obtained. Because this is unlikely, however, the Norwegian president of the Assembly, Edvard Hambro, has been sounding out the major powers on ways to handle the fiscal crisis and may try to arrange a meeting of the Big Four delegates on the issue later this month, another unlikely prospect. Hambro appears also to have failed to interest bond holders in the possibility of writing off a part of the face value as a portion of a settlement of the deficit.

The current cash position of the UN is bad, and one official in the Secretariat believes that as early as next month there may not be enough money on hand to meet the payroll. Various devices can probably be found to tide the organization over the summer, but the issue certainly will be raised early in the fall Assembly meeting. The major powers, clearly divided over how to pay the peacekeeping deficit, will have difficulty heading off the desires of developing countries for another large increase in the budget to which they contribute very little, but from which they receive substantial aid. [redacted] 25X1

NOTES

FRANCE: Some 40 organizations, including the French Communist Party, the Communist-controlled General Confederation of Labor (CGT), and leftist student and teacher unions, plan demonstrations against the war in Vietnam on Saturday and Sunday throughout France. As in the past, the Communists are determined to maintain order and discipline. Moreover, there is no evidence of plans by left extremists to repeat tactics of organized violence employed against right extremists in March. [redacted] 25X1

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[redacted]

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COMMUNIST CHINA - MAURITANIA: Peking has increased more than fourfold its economic commitment to Mauritania by extending over $20 million in credit. It will be used primarily for the construction of a deep-water port, thereby lessening Mauritania's dependence upon Senegal for harbor facilities. The new aid reflects China's current efforts to expand its influence with underdeveloped countries, particularly in Africa. Other recent recipients of major Chinese economic aid in Africa include Tanzania, Zambia, and Sudan. [redacted] 25X1

(continued)

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CEYLON: The Western aid consortium, which met last week in Paris, has recommended that its aid this year be "somewhat higher" than last year's level of about $60 million to take account of the economic losses from the insurgency. Ceylon's Finance Minister Perera assured the representatives at the meeting that his government intended to follow through on at least some of the World Bank's recommended economic reforms. He indicated that Colombo plans to shift funds away from consumption-related expenditures to investment in order to accelerate the island's economic growth. [redacted]

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MALTA: Parliamentary elections have been set for 12-14 June. They are likely to be very close and the winner will probably have a margin of only one or two seats, although Prime Minister Borg-Olivier is confident that his ruling Nationalist Party will win. The Nationalists will campaign on a platform that stresses Malta's political stability and over-all economic growth. The opposition Malta Labor Party (MLP) and its leader, Dom Mintoff, can be expected to charge the Nationalists with corruption and administrative inefficiency. Labor will also claim that Malta's incipient inflation and rising national debt are the result of the government's financial ineptitude. The MLP's stance on foreign policy will echo Mintoff's repeated call for Malta to take a neutral position in the Mediterranean. [redacted] 25X1